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Financing of the United Nations Interim Administration Mission in Kosovo

Financing arrangements for the United Nations Interim Administration Mission in Kosovo for the period from 1 July 2011 to 30 June 2012

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the note by the Secretary-General on the financing arrangements for the United Nations Interim Administration Mission in Kosovo (UNMIK) for the period from 1 July 2011 to 30 June 2012 (A/66/777). During its consideration of the note, the Advisory Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The Advisory Committee recalls that by its resolution 65/300, the General Assembly appropriated and assessed on Member States the amount of $44,914,800 gross for the maintenance of the Mission for the period from 1 July 2011 to 30 June 2012. The Committee also recalls its report on the budget performance of UNMIK for the period from 1 July 2010 to 30 June 2011 and the proposed budget for UNMIK for the period from 1 July 2012 to 30 June 2013, which contains its recommendations related to the current 2011/12 financial period (A/66/718/Add.7).

II. Additional resource requirements for the current period

3. In his note, the Secretary-General indicates that, since the adoption by the General Assembly in its resolution 65/300 of the 2011/12 budget for UNMIK, substantial changes in the cost parameters and assumptions used in the budget preparation have had a significant impact on the approved budget, resulting in additional resource requirements. These changes include the classification of Field Service posts, the higher-than-budgeted post adjustment multiplier and lower-than-

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planned vacancy rate for international staff, the classification of national staff posts combined with the revisions of national staff salary scales after the preparation of the 2011/12 budget, as well as exchange rate fluctuations (see A/66/777, para. 2).

4. The Advisory Committee was informed that as at 30 April 2012, a total of $2,846,619,000 had been assessed on Member States in respect of UNMIK since its inception. Payments received as at the same date amounted to $2,807,095,000, leaving an outstanding balance of $39,524,000. Upon enquiry, the Committee was informed that as at 14 May 2012, cash available in the Mission's special account amounted to $8.8 million, reflecting earlier loans from closed peacekeeping missions in the amount of $31.5 million, which remains outstanding. The Committee was further informed that as at the same date, taking into account the three-month operating cash reserve of $12.7 million, the Mission's cash operating deficit amounted to $3.9 million, and that any delays in the assessment of the requested additional appropriation would further exacerbate the already exceedingly precarious financial situation of the Mission. Upon enquiry as to the possibility of absorbing the additional requirements within other classes of expenditure, the Committee was informed that UNMIK had a comparatively low budget for operational costs (20 per cent of the overall budget, compared with the average of 39 per cent for all peacekeeping missions) and therefore UNMIK would not be able to absorb the additional requirements.

5. The Advisory Committee was informed that, as at 30 April 2012, the incumbency for UNMIK for the period from 1 July 2011 to 30 June 2012 was as follows:

	Authorized[a]	*Encumbered*	*Vacancy rate (percentage)*
Military and police personnel			
Military observers	8	8	0.0
United Nations police	8	6	25.0
Civilian personnel			
International staff	165	142	13.9
National staff	218	217	0.5
General temporary assistance			
National staff	1	1	0.0
United Nations Volunteers	28	24	14.3

[a] Represents the highest authorized strength for the period.

6. The Advisory Committee was provided with a table showing current and projected expenditures for the period from 1 July 2011 to 30 June 2012, with reasons for the variances (see annex to the present report). Expenditures for the period as at 30 April 2012 amounted to $39,470,700. At the end of the current financial period, the estimated total expenditures would amount to $48,300,100 against the appropriation of $44,914,800, entailing a projected increase of $3,385,300 gross ($3,055,900 net). In paragraph 4 of his note, the Secretary-General indicates that this represents an increase of 7.5 per cent in gross terms, compared with the approved appropriation.

7. Under international staff, additional resource requirements of $1,904,000 gross ($1,744,300 net) are attributable to: (a) the classification of Field Service posts, effective 1 March 2011, resulting in 33 posts classified one grade higher and 5 posts classified two grades higher; (b) the higher average actual post adjustment multiplier of 54.6 points from July 2011 to March 2012, compared with the budgeted post adjustment multiplier of 41.8 points, which was the actual rate in January 2011 at the time of the budget preparation; and (c) the projected average vacancy rate of 10 per cent for the 2011/12 financial period compared with the budgeted vacancy rate of 12 per cent as a result of the Mission's efforts to fill vacant posts (see A/66/777, para. 7).

8. The additional resource requirements of $2,023,500 gross ($1,853,800 net) for national staff are attributable to: (a) the classification of National Professional Officer and national General Service posts, effective 1 March 2011, resulting in 92 national staff posts classified one grade higher and 12 national staff posts classified two grades higher; (b) the actual average grade and step level of the national General Service staffing establishment being higher than budgeted (G-5, step IX, compared with the budgeted G-4, step VIII) owing to the Mission's significant reduction of staff since the 2008/09 financial period when staff with better qualifications and longer experience were retained; (c) the implementation of two consecutive revised national staff salary scales for Pristina effective 1 February 2011 (6.7 per cent increase) and 1 February 2012 (5.5 per cent increase); and (d) the lower actual average exchange rate of €0.733 to $1 during the first three quarters of the 2011/12 financial period compared with €0.764 to $1 applied in the budget, a variance of 4.1 per cent, increasing expenditure for disbursement of national staff remuneration (see A/66/777, para. 8).

9. The projected increased requirements are partially offset by reduced requirements under military and police personnel and operational costs. Reduced resource requirements under military and police personnel ($97,300) are attributable primarily to the deployment of seven United Nations police officers from September 2011 to February 2012 compared with the budgetary provision for full deployment of eight police officers during the 2011/12 financial period, as well as lower cost of travel for deployment, rotation and repatriation, and reduced actual requirements for death and disability compensation claims (see A/66/777, para. 6).

10. Under operational costs, the reduction of $405,400 in resource requirements is attributable to: (a) the cancellation of engineering projects under facilities and infrastructure, such as the construction of a new entrance at the Mission's headquarters compound in Pristina; (b) restrictions in official travel, in particular for training and participation in conferences, purchasing tickets at least two weeks in advance and requesting United Nations agencies to participate in facilitation meetings on behalf of UNMIK in countries where United Nations agencies are present; (c) postponement of the planned outsourcing contract for heavy vehicles repair and maintenance under ground transportation; (d) lower actual expenditure related to training consultants and lower cost of travel for the consultants on the Human Rights Advisory Panel; and (e) reduced requirements for medical supplies (see A/66/777, para. 9).

11. The overall reduced requirements under operational costs were offset in part by additional requirements under other supplies, services and equipment owing to the engagement of individual contractors to cover operational requirements of the

Mission (see A/66/777, para. 9). Upon enquiry, the Advisory Committee was informed that additional requirements under other supplies, services and equipment included compensation of €60,015.39 paid to five vehicle mechanics whose posts were abolished owing to the outsourcing of the vehicle maintenance function in the Mission. The extension of their fixed-term appointments until 30 June 2012 had been approved by the Chief of Mission Support on 27 May 2011. The Management Evaluation Unit at United Nations Headquarters had advised UNMIK on 4 August 2011 that the appointments of the vehicle mechanics need not be further extended and that the matter would be better processed through informal settlement in the form of compensation rather than through management evaluation of their cases, given the previous representations made by the Administration, which raised reasonable and actionable expectations on the part of the vehicle mechanics of their continued employment for one year until 30 June 2012. The Committee was further informed that the Mission had taken steps to ensure that expectations of employment beyond the current financial year were no longer created. Extensions of contracts to staff members would not be issued until after the budget and staffing structure for the Mission were approved by the General Assembly. **The Committee requests that the circumstances leading to such a situation be further investigated with a view to drawing relevant lessons to prevent any recurrence.**

12. Upon enquiry as to the details of the classification exercise, the Advisory Committee was informed that the Department of Field Support had the delegated authority, which was exercised by the Field Personnel Division, to classify posts within field missions up to the D-1 level. In order to better manage the human resources of the missions with respect to recruitment, rostering and career development, as well as mobility during start-up, maintenance, expansion, transition, downsizing and liquidation, the grade level of Field Service and national staff posts across various missions should be determined through classification. The Committee was further informed that the Field Personnel Division conducted post classification exercises within field missions based on the standards promulgated by the International Civil Service Commission and the classification procedure set out in ST/AI/1998/9. UNMIK was selected for this exercise as its Field Service and national staff posts have not been classified since the inception of the Mission. With respect to the implementation date of the results of the classification exercise, the Committee was informed that based on ST/AI/1998/9, the classification decision would become effective as of the first of the month following receipt of the classification request. The documentation for classification was submitted by the Mission to the Department of Field Support in February 2011, and the effective date was set as 1 March 2011. The Committee was informed that as a result of the classification exercise, a total of 125 posts were classified one level higher, 17 posts were classified two levels higher, 16 posts were classified one level lower, 3 posts were classified two levels lower and 133 posts were classified with no change in grade level. The Committee requested but did not receive data on the 20 posts classified two levels higher or lower and was instead informed that the monitoring and evaluation of the application of classification standards by classifiers rested with the International Civil Service Commission.

13. The Committee was also informed, upon enquiry, that:

(a) For national staff posts classified one level higher, a one-time promotion exercise would be applied without the need for a competitive recruitment process;

(b) For national staff posts classified two levels higher, a competitive recruitment process was required, although a retroactive special post allowance up to a maximum of two years could be granted for the level higher, based on eligibility;

(c) For Field Service posts classified both one or two levels higher, there would be a competitive recruitment process, although a retroactive special post allowance up to a maximum of two years could be granted based on eligibility.

14. Upon enquiry as to whether the current request for additional appropriation took into account that posts classified two levels higher would be subject to a competitive recruitment process, so that payment against the classified level would only be applicable from the date of incumbency of the post rather than the date of implementation of the results of the classification exercise, the Advisory Committee was informed that despite the length of time required by the recruitment process for posts classified two levels higher, a retroactive special post allowance could be granted for one level higher, so that funding would need to be retroactive to the effective date of the granting of the special post allowance. Accordingly, the current request for additional appropriation provided for retroactive special post allowance for one grade level higher for staff members encumbering posts classified two levels higher for one year, from March 2011 to February 2012, while funding for the period from March to June 2012 was costed on the assumption that recruitment would be completed at that point and therefore was based on the newly classified level, that is, two levels higher.

15. The Advisory Committee notes from paragraph 3 of the note that the classification exercise was initiated in the second half of 2010 and completed in March 2012, and that the estimated resource requirements stemming from posts classified to higher levels amount to $1,149,700 gross ($1,007,100 net), comprising $714,000 gross ($625,400 net) for international staff and $435,700 gross ($381,700 net) for national staff. The Committee further notes that the report of the Secretary-General on the budget performance of UNMIK for the period from 1 July 2010 to 30 June 2011 (A/66/577) and the proposed budget for UNMIK for the period from 1 July 2012 to 30 June 2013 (A/66/673), which contained information on the 2011/12 period, were issued on 6 December 2011 and 30 January 2012, respectively. The Secretary-General's representatives appeared before the Committee for a hearing on the 2010/11 budget performance report and 2012/13 proposed budget on 21 February 2012. The Committee's report (A/66/718/Add.7) on the matter was issued on 5 April 2012. The Committee notes that none of the budget documents submitted by the Secretary-General had indicated the possibility that the Mission would require additional appropriation to implement the results of the classification exercise. Upon enquiry as to the reason the additional resource requirements were not reflected at that time, the Committee was informed that the full impact of classification as well as vacancy rates and post adjustment for the remainder of the financial year after January 2012 were not clear at the time. Upon enquiry as to why advance notice of the additional resource requirements was not provided, the Committee was informed that the Chief of Mission Support had indicated that the Mission's budget was under pressure to meet costs associated with the classification exercise. **The Committee notes with concern the late submission of the Secretary-General's note within the budget cycle and is of the view that the Secretary-General should have provided advance notice to the General Assembly of a potential request for additional appropriation arising from the**

classification exercise. The Committee considers an indication that the Mission's budget is under pressure to be inadequate notice of a potential request to the Assembly for additional appropriation.

16. **The Advisory Committee is also concerned about the timing of classification exercises, their impact on subsequent financial periods and the retroactive implementation of their results as provided for by the relevant regulations. Therefore, the Committee is of the opinion that relevant regulations should be amended to ensure that future classification exercises are planned to allow financial requirements arising from them to be effective at the next budget cycle and not retroactively, so as to ensure predictability in financing arrangements and to prevent future occurrences of similar requests for additional appropriation.**

III. Conclusion

17. The action to be taken by the General Assembly in connection with the financing of UNMIK for the period from 1 July 2011 to 30 June 2012 is set out in paragraph 12 of the Secretary-General's note (A/66/777). **Taking into account the Mission's financial position as referred to in paragraph 4 above and the timing of the current request as discussed in paragraph 15 above, the Advisory Committee has no objection to an appropriation, albeit without assessment, of the amount of $3,385,300 for the maintenance of the Mission for the 12-month period from 1 July 2011 to 30 June 2012, in addition to the amount of $44,914,800 already appropriated and assessed for the same period for the maintenance of the Mission under the terms of Assembly resolution 65/300.**

Annex

Current and projected expenditures of the United Nations Interim Administration Mission in Kosovo for the period from 1 July 2011 to 30 June 2012

(Thousands of United States dollars)

	1 July 2011 to 30 April 2012			*Projected 1 May to 30 June 2012*				
	Apportionment	*Total expenditure*	*Unencumbered balance*	*Expenditure*	*Total expenditure 2011/12*	*Estimated unencumbered balance as at 30 June 2012*	*Variance (percentage)*	
	(1)	*(2)*	*(3)=(1)-(2)*	*(4)*	*(5)=(2)+(4)*	*(6)=(1)-(5)*	*(7)=(6)÷(1)*	*Reasons for variance*
Military and police personnel								
Military observers	361.7	279.5	82.2	61.4	340.9	20.8	5.8	The projected unencumbered balance is attributable to the extention of the tours of duty for some military observers, resulting in continuing payment of daily mission subsistence allowance at the after-30-day rate (€73 as compared with the first-30-day rate of €120)
Military contingents	—	—	—	—	—	—	—	
United Nations police	369.6	243.9	125.7	49.2	293.1	76.5	20.7	The projected unencumbered balance is attributable to the lower costs of travel for deployment, rotation and repatriation and the deployment of 7 United Nations police officers in July 2011 and January 2012, and of 6 United Nations police officers in April 2012 as compared with the budgeted 8
Formed police	—	—	—	—	—	—	—	
Subtotal	**731.3**	**523.4**	**207.9**	**110.6**	**634.0**	**97.3**	**13.3**	
Civilian personnel								
International staff	27 515.1	23 403.0	4 112.1	6 016.1	29 419.1	(1 904.0)	(6.9)	The projected variance is attributable to additional requirements stemming from the results of the classification exercise in respect of 38 Field Service posts effective 1 March 2011 and the higher average actual post adjustment multiplier of

	1 July 2011 to 30 April 2012			Projected 1 May to 30 June 2012				
	Apportionment	*Total expenditure*	*Unencumbered balance*	*Expenditure*	*Total expenditure 2011/12*	*Estimated unencumbered balance as at 30 June 2012*	*Variance (percentage)*	*Reasons for variance*
	(1)	*(2)*	*(3)=(1)-(2)*	*(4)*	*(5)=(2)+(4)*	*(6)=(1)-(5)*	*(7)=(6)÷(1)*	
								54.7 points from July 2011 to April 2012 compared with the budgeted post adjustment multiplier of 41.8 points, as well as the projected average vacancy rate of 10 per cent compared with the budgeted vacancy rate of 12 per cent as a result of the Mission's efforts to fill vacant posts
National staff	6 504.5	6 763.8	(259.3)	1 764.2	8 528.0	(2 023.5)	(31.1)	The projected variance is attributable to the classification of national staff posts effective 1 March 2011 resulting in 104 posts classified at higher grade levels, the higher actual average grade level of national staff (GS-5, step IX compared with the budgeted GS-4, step VIII) and implementation of two consecutive revised national staff salary scales for Pristina effective 1 February 2011 (6.7 per cent increase) and 1 February 2012 (5.5 per cent increase), as well as the lower actual average exchange rate of €0.733 to $1 during the first three quarters of the 2011/12 financial period compared with €0.764 to $1 applied in the budget, a variance of 4.1 per cent, increasing expenditure for disbursement of national staff renumeration
United Nations Volunteers	1 140.6	894.7	245.9	205.0	1 099.7	40.9	3.6	
General temporary assistance	28.8	25.3	3.5	4.9	30.2	(1.4)	(4.9)	
Subtotal	**35 189.0**	**31 086.8**	**4 102.2**	**7 990.2**	**39 077.0**	**(3 888.0)**	**(11.0)**	
Operational costs								
Government-provided personnel	—	—	—	—	—	—	—	
Civilian electoral observers	—	—	—	—	—	—	—	

	1 July 2011 to 30 April 2012			Projected 1 May to 30 June 2012				
	Apportionment	Total expenditure	Unencumbered balance	Expenditure	Total expenditure 2011/12	Estimated unencumbered balance as at 30 June 2012	Variance (percentage)	
	(1)	(2)	(3)=(1)-(2)	(4)	(5)=(2)+(4)	(6)=(1)-(5)	(7)=(6)÷(1)	Reasons for variance
Consultants	283.3	153.0	130.3	65.5	218.5	64.8	22.9	The projected unencumbered balance is attributable to the lower costs of training consultants compared with the budgeted provision and lower cost of travel for the consultants on the Human Rights Advisory Panel
Official travel	627.6	392.7	234.9	104.6	497.3	130.3	20.8	The projected unencumbered balance is attributable to the lower costs of airl tickets following the Mission's initiative to book travel two weeks in advance and provision that no staff member travel on business class within Europe, as well as United Nations agencies' participation on behalf of the Mission in facilitation meetings which are being held in countries with a United Nations agency presence, and reduced conference and training-related travel
Facilities and infrastructure	4 083.8	3 758.6	325.2	91.6	3 850.2	233.6	5.7	The projected unencumbered balance is attributable to the cancellation of some engineering projects, such as construction of the main entrance to the Mission headquarters, to cover the additional requirements for national staff
Ground transportation	706.2	619.4	86.9	0.0	619.4	86.8	12.3	The projected unencumbered balance is attributable to the cancellation of projects, such as postponement of the planned contract for heavy vehicles repair and maintenance, in order to cover the additional requirements for national staff
Air transportation	—	—	—	—	—	—	—	
Naval transportation	—	—	—	—	—	—	—	
Communications	1 572.0	1 192.5	379.5	355.1	1 547.6	24.4	1.6	
Information technology	1 205.4	1 185.3	20.1	52.5	1 237.8	(32.4)	(2.7)	

	1 July 2011 to 30 April 2012			*Projected 1 May to 30 June 2012*				
	Apportionment	*Total expenditure*	*Unencumbered balance*	*Expenditure*	*Total expenditure 2011/12*	*Estimated unencumbered balance as at 30 June 2012*	*Variance (percentage)*	
	(1)	*(2)*	*(3)=(1)-(2)*	*(4)*	*(5)=(2)+(4)*	*(6)=(1)-(5)*	*(7)=(6)÷(1)*	*Reasons for variance*
Medical	131.0	58.2	72.8	14.8	73.0	58.0	44.3	The projected unencumbered balance is attributable to lower actual requirements for medical services for military observers and police
Special equipment	—	—	—	—	—	—	—	
Other supplies, services and equipment	385.2	500.8	(115.6)	44.5	545.3	(160.1)	(41.6)	The variance is attributable to requirements for individual contractors engaged to cover operational functions within the Mission
Quick-impact projects	—	—	—	—	—	—	—	
Subtotal	**8 994.5**	**7 860.5**	**1 134.1**	**728.7**	**8 589.1**	**405.4**	**4.5**	
Gross requirements	**44 914.8**	**39 470.7**	**5 444.2**	**8 829.4**	**48 300.1**	**(3 385.3)**	**(7.5)**	
Staff assessment income	4 381.3	3 718.2	663.1	992.5	4 710.7	(329.4)	(7.5)	
Net requirements	**40 533.5**	**35 752.5**	**4 781.1**	**7 836.9**	**43 589.4**	**(3 055.9)**	**(7.5)**	
Voluntary contributions in kind (budgeted)	—	—	—	—	—	—	—	
Total requirements	**44 914.8**	**39 470.7**	**5 444.2**	**8 829.4**	**48 300.1**	**(3 385.3)**	**(7.5)**	